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**** USTR BACKGROUND PAPER ****

10 Ways Global Trade Negotiations Would Benefit Developing Nations

- **Growth and Development:** New trade negotiations will promote liberalized trade around the world. Trade is a critical element – perhaps the most important element – in economic development for the developing world, offering the biggest, and most lasting, dividends. New global trade negotiations would generate approximately \$90 billion-\$190 billion a year in higher incomes for developing nations, according to study by Joseph Francois of Erasmus University in Rotterdam. And a recent World Bank study found that in the 1990s the income per person in globalizing developing countries grew more than three-and-a-half times faster than it did in non-globalizing developing countries. The World Bank study underscores the point made by UN Secretary-General Kofi Annan: “The poor are poor not because of too much globalization, but because of too little.”
- **Confidence and Energy:** The global economic slowdown is causing a slowdown in trade, and developing countries are likely to be the hardest hit. They could see demand for their exports contract by up to 10 percent this year, according to WTO Director-General Mike Moore. Indeed, the World Bank estimates that as many as 15 million additional people could be thrust into poverty in the year ahead, and up to five million of these people live in Africa. The launch of new global trade negotiations would send a powerful signal that the world’s trading nations are committed to open markets – and that they will resist protectionism. This would help to inject additional confidence and energy into financial markets, and promote near-term economic growth and opportunity.
- **Agriculture Market Openings:** New trade negotiations will lead to the long-overdue liberalization of the global agriculture market. Over the past 50 years, tariffs on manufactured goods have declined some 90 percent; agricultural tariffs barely budged. Given the prominence of agriculture in the economies of many developing nations, reducing tariffs would be perhaps the single greatest contribution that new negotiations can make to poverty alleviation in the developing world. The U.S. Department of

Agriculture has estimated that complete elimination of distortions in the agriculture trade would produce a 27 percent increase in the annual agriculture exports of developing nations.

- **The Track Record:** The trade liberalization ushered in by the Uruguay Round highlights the potential of more trade for developing nations. It has enhanced market access opportunities for manufactures, agriculture and services, and established new and improved rules for the trading system, particularly agriculture. In the six years following completion of the Uruguay Round, exports from developing nations grew by nearly \$1 trillion, to a level of \$2.4 trillion last year. The United States in particular has been an engine of export growth for developing nations. There has been an 82 percent increase in U.S. imports from developing countries (87 percent increase in chemical products and 72 percent increase in textiles). Last year, 20 percent of developing nations' exports went to the United States – the single largest market for developing nations. And 62 percent of U.S. imports from developing countries were duty free last year, up from 46 percent in 1994, while the average tariff on products from developing countries was 2.6 percent last year, down from 3.7 percent in 1994.
- **A Boost for Developing Nations:** New global trade negotiations will promote the rules-based WTO global trading system – a system that puts developed and developing nations on equal footing. If this system is weakened – a very real possibility if trade negotiations are not launched in Doha – many developed nations will pursue trade agreements on a regional basis, and with individual countries. Developing nations could find themselves excluded from these accords.
- **Intellectual Property Protections:** The existing TRIPs agreement can help to strengthen intellectual property rights around the world, while providing flexibility to help deal with tragic pandemics such as HIV/AIDS, malaria, and tuberculosis. As developing countries have implemented the intellectual property protections in TRIPs, they have begun to benefit from increased technology transfer and investment – two key factors in long-term economic growth. Strong, effective intellectual property protection is the cornerstone on which an attractive investment climate is built, as companies will have greater incentives to invest in countries if they are confident there is a legal structure to protect their innovations from unauthorized copying. A strong intellectual property regime also discourages brain drain, as it encourages the best and the brightest in developing nations to carry out research at home, confident that the fruits of their labors will enjoy patent protections.
- **Consumer Benefits:** Through new trade negotiations, barriers to commerce will fall around the world. This will benefit consumers, particularly those in developing nations, as they will have access to more goods, at lower prices. In the United States, the two major trade agreements of the 1990s – the Uruguay Round and the North American Free Trade Agreement – generate annual benefits of \$1,300-\$2,000 for the average family of four.

- **Dispute Settlement Improvements:** New trade negotiations will clarify and improve the operation of the WTO dispute settlement mechanism, a vital element of the rules-based trading system that will provide special benefits for developing nations. The dispute settlement mechanism provides a timely, effective means of resolving disputes and ensuring compliance with WTO commitments.
- **Trade Capacity Assistance:** Trade provides access to new technologies, helps countries utilize their comparative advantage, and helps producers realize economies of scale. But in order for developing nations to seize the full benefits of trade, they must build up their institutional, physical, and human capacity. Trade capacity assistance is critical in this respect, and with new global trade negotiations and the deepened cross-border economic ties developed nations will have fresh incentives to provide such assistance. Over the past year, the United States has provided more than \$555 million in trade capacity assistance – more than any other single country.
- **Opening Markets/Opening Opportunities:** As much as developing nations may need debt relief and development aid, a prerequisite for their long-term economic growth is full participation with the global economy and trading system. Doha is the best opportunity that will come along in the next 10-15 years to expedite this integration. It an opportunity WTO members – developed and developing – cannot afford to miss.

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